

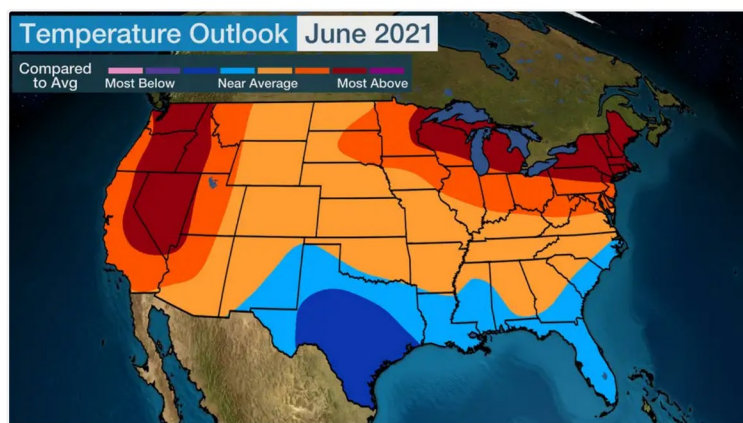
MARKET SUMMARY

BIGGEST FACTOR: WEATHER

With growing concerns about drought conditions in the West and the potential for a warmer than normal summer, prices will remain elevated in the near term.

WEATHER (BULLISH)

TAKEAWAY - A warmer than normal summer and ongoing drought conditions in the West are supportive of power related gas demand - mitigating the downward impact of renewable additions and fuel switching due to stronger gas prices.



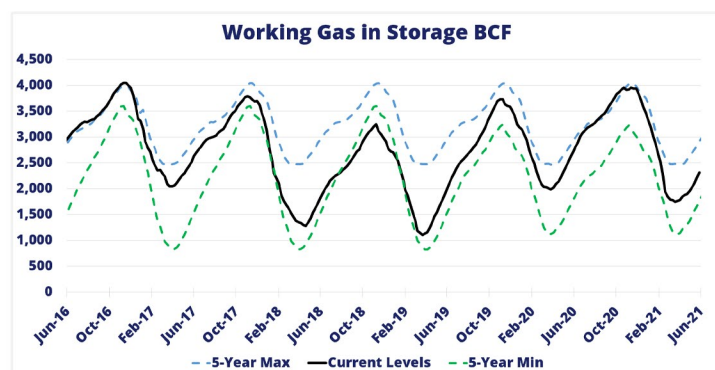
Source: The Weather Company

In May 2021, temperatures were higher than last year in the eastern U.S. and lower in the western U.S.

By the end of August, the National Oceanographic & Atmospheric Administration expects a persistent drought to extend to 13 Western states. This reduces availability of low-cost summertime hydrogeneration.

STORAGE (BULLISH)

TAKEAWAY - The EIA reports that underground natural gas storage capacity has stayed flat between 2012 and 2020.



Source: EIA

PROCUREMENT TAKEAWAY

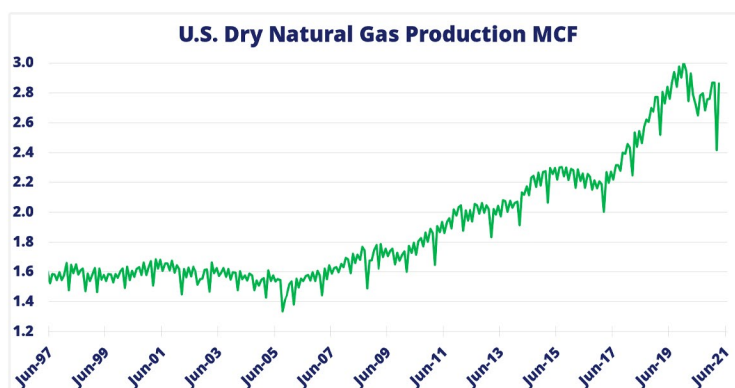
Facilities facing expiring contracts should consider short-term (approx. 6-month) hedges to protect against summer volatility. Long-term deals are not favorable, as suppliers are building in tremendous risk premiums.

STORAGE (CONTINUED)

The net injections to working gas totaled 98 billion cubic feet (Bcf) for the week ending May 28. Working natural gas stocks totaled 2,313 Bcf, which is 14% lower than the year-ago level and 3% lower than the five-year (2016-2020) average for this week.

PRODUCTION (BEARISH)

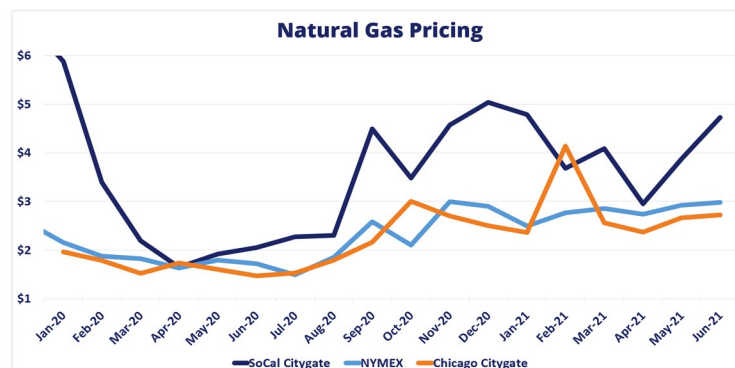
TAKEAWAY - Natural gas-fired power generation saw a ~7% decrease in the first four months of 2021 compared to the same period in 2020 - the first year-over-year decline since 2017.



Source: EIA

Recent completions of pipeline projects in Texas and Mexico have increased natural gas transportation capacity. This has contributed to a 9.9% increase in gas exports to Mexico since March 2020.

PRICING



Source: EIA



IN THE NEWS

In 2020, both natural gas consumption by the U.S. electric power sector and natural gas exports reached record highs, despite a 2% annual decline in domestic dry natural gas production.

China's natural gas import volumes in May rose 1.7% on the month and 31.6% year on year - promising signs for U.S. natural gas exporters.

The California Air Resource Board has revealed that vehicles in CA running on renewable natural gas (RNG) removed more carbon dioxide from the atmosphere than they emitted in 2020. The use of RNG in fleets of trucks, buses, and other vehicles grew 25% from 2019 to 2020 and is up more than 170% in the past five years.

Alaska is the third-largest natural gas producer in the U.S. after Texas and Pennsylvania, but producers in AK reinject more of that natural gas back into the ground than in any other state. Because of falling natural gas production in natural gas fields close to Anchorage, the state is exploring ways of moving some of the natural gas currently being reinjected in the north to consumers in the south and, potentially, to export markets overseas.

The Los Angeles City Council has voted to support closing the SoCalGas Aliso Canyon gas storage facility. Aliso Canyon, located in the Santa Susana Mountains near Porter Ranch in Los Angeles, was the site of the worst gas blowout in U.S. history.